

# Thinking About Working After Retirement?

(for Plan 1 Members of the Public Employees' Retirement System)

The actual rules governing working after retirement are contained in state retirement law. This publication is a summary, written in non-legal terms. It is not a complete description of the law. If there are conflicts between what is written in this publication, and what is contained in the law, the applicable law will govern.

This publication describes the possible impacts on your retirement benefit if you return to work for an employer covered by one of the Washington State retirement systems. You can return to work for an employer not covered by a Washington State retirement system without impacting your retirement benefit, unless you are a disability retiree.

## When do I become a retiree?

It is important to understand when you become a retiree because you must first retire before you can be covered under the return to work laws. You become a retiree when you:

- meet the age and service requirements for retirement;
- file an application for retirement with DRS;
- terminate all employment with DRS-covered employer(s);
- sever all contractual agreements (written or verbal) for future employment with DRS-covered employer(s).

Taking these actions will establish your effective retirement date -- what is referred to as your "accrual date" in retirement statute. Your effective retirement date is the first day of the month following the month in which you meet the conditions for retirement.

## Examples

- Sally applies for retirement and terminates employment on July 16, 2003. She meets the age and service requirements. Her effective retirement date will be August 1, 2003.
- Jackson applies for retirement and terminates employment on July 16, 2003. He does not meet the age and service requirement until July 15, 2006. His effective retirement date will be August 1, 2006.

## What should I do when I return to work?

When you return to work, it is important to let your employer know that you are a retiree. If you are hired into a position that is eligible for PERS membership, your employer is required to report your hours of employment each month to DRS. If you are hired into a position that is ineligible for PERS membership, your employer is required to report that you have returned to work but does not need to report your hours. If your employer does not know you are retired, they may report you as an active member - which may stop your benefit.

## What happens if I return to work before my effective retirement date?

If you terminate employment and file a retirement application but return to work before your effective retirement date, your application for retirement will be canceled. You are not considered to be retired so you will return to active membership and be required to pay member contributions.

## When is the earliest I can return to work?

You must wait at least 30 calendar days after your effective retirement date before returning to work. If you return to work for a DRS-covered employer less than 30 days after your effective retirement date, your benefit will be reduced by 5.5 percent for every eight hours worked in a month up to a maximum of 160 hours. If the reduction is in excess of 100 percent of the benefit, the excess is taken from the next month's benefit payment. The reduction continues until you stop working for a full 30 days.

**DRS**  
DEPARTMENT OF  
RETIREMENT  
SYSTEMS

## How many hours can I work each year and still receive a benefit?

If you return to work in a PERS-eligible position, there are limits placed on your employment. These limits vary depending on when you retired and how many days you wait after retirement before returning to work.

- If you retired prior to August 1, 2003, and waited at least one calendar month after your effective retirement date, you can work up to 1,500 hours in a calendar year and continue to receive your full retirement benefit.
- If you retire on or after August 1, 2003, and wait at least 30 calendar days after your effective retirement date, you can work up to 867 hours in a calendar year and continue to receive your full retirement benefit.
- If you retire on or after August 1, 2003, and wait at least 90 calendar days after your effective retirement date, you can work up to 1,500 hours in a calendar year and continue to receive your full retirement benefit provided your employer documents a justifiable need to hire a retiree, keeps a record of the hiring process, and hires you through their established hiring process with the appropriate level of approval authority.

If you return to work in a position that is ineligible for PERS membership, there is no limit placed on your employment. You can work in this position as long as you like and still receive your full retirement benefit.

| If you retire        | and wait                    | you can work  |
|----------------------|-----------------------------|---|
| Before 8/1/2003      | at least one calendar month | up to 1,500 hours* per calendar year  |
| On or after 8/1/2003 | at least 30 calendar days   | up to 867 hours per calendar year   |
|                      | at least 90 calendar days   | up to 1,500 hours* per calendar year if your employer meets the specified hiring requirements |

\* Provided you have not yet met the cumulative limit. (See below.)

## What happens if I work over the allowable limit for a year?

You can work as many hours as you want in a calendar year. However, if you work over the maximum number of hours allowed, your retirement benefit will be suspended for the remainder of the calendar year or until you terminate employment. In the month you exceed the limit, your benefit will be prorated.

### Examples

- John retires effective January 1, 2002, and returns to work on February 1, 2002. He works full-time for the remainder of the year. On August 15, 2002, he exceeds 1,500 hours of employment for the year. His benefit will be suspended beginning August 16. He will receive a partial month's benefit for August 1 through August 15.
- Ellen retires effective January 1, 2004, and returns to work on February 1, 2004. She works full-time for the remainder of the year. On May 11, 2004, she exceeds 867 hours of employment for the year. Her benefit will be suspended beginning May 12. She will receive a partial month's benefit for May 1 through May 11.

## Which hours count toward the limit?

All hours for which you receive compensation count toward the limit. This includes paid holidays or when compensatory time, sick leave or annual leave is taken in lieu of normal work hours. Sick leave or annual leave that is cashed out at the end of an employment period does not count toward the limit. Cashed out compensatory time does count toward the limit.

## Are there other restrictions in addition to the annual limit?

If you are eligible to work up to 1,500 hours in a calendar year (regardless of when you retired), there is a cumulative limit placed on the hours you can work while still receiving a benefit. This cumulative limit is 1,900 hours but only includes hours worked in excess of 867 hours in a calendar year. The actual rules are as follows:

- Any hours you work over 867 hours and up to 1,500 hours in a calendar year are counted toward a cumulative limit of 1,900 hours.
- If you work over 1,500 hours in a calendar year, your benefit is suspended so the hours you work beyond 1,500 are not counted toward the limit.
- Once you reach the cumulative limit of 1,900 hours, you can only work up to 867 hours in subsequent calendar years before your benefit is suspended.

If you are eligible to work up to 867 hours in a calendar year, there is no cumulative limit placed on your employment. You can continue to work up to 867 hours each calendar year for as long as you like. If you work beyond 867 hours, your benefit will be suspended.

### Examples

- Becky retires effective January 1, 2002, and returns to work February 1, 2002. She works full-time for the next three years as shown in the chart below. It will take her just over three years to reach the 1,900 hour limit.

| Year | Hours worked | Benefit suspended at | Hours applied to the limit | Hours remaining |
|------|--------------|----------------------|----------------------------|-----------------|
| 2002 | 1,980        | 1,500 hours          | 633                        | 1,267           |
| 2003 | 2,040        | 1,500 hours          | 633                        | 634             |
| 2004 | 2,040        | 1,500 hours          | 633                        | 1               |

- Gerald retires effective January 1, 2004, and returns to work May 1, 2004. He works part-time for the next three years as shown in the chart below. It will take him several years to reach the 1,900 hour limit.

| Year | Hours worked | Benefit suspended at | Hours applied to the limit | Hours remaining |
|------|--------------|----------------------|----------------------------|-----------------|
| 2004 | 1,020        | N/A                  | 153                        | 1,747           |
| 2005 | 790          | N/A                  | 0                          | 1,747           |
| 2006 | 1,150        | N/A                  | 283                        | 1,464           |

## Will I receive notification of the hours applied toward my cumulative limit?

DRS keeps track of the hours you accumulate each year toward the 1,900 hour limit. In March of each year, you will receive a letter from the Department showing the total number of hours reported by your employer(s) for the previous year, the number of hours that have counted toward the cumulative limit, and the number of hours remaining before you reach the limit. If you did not have any hours applied toward the cumulative limit in the previous year, you will not receive this letter.

## What happens if I exceed the cumulative limit?

Once you reach the cumulative limit for hours of post-retirement employment, your retirement benefit will be suspended for the remainder of the calendar year or until you terminate employment. In the month you exceed the limit, your benefit will be prorated. In subsequent calendar years, you will only be allowed to work up to 867 hours before your benefit is suspended.

## Can I return to active membership?

If you are hired into a PERS-eligible position, you can return to active membership. However, when you do so your benefit will stop. When you again retire, a new benefit will be calculated to reflect the additional service credit earned. If you have completed two or more years of uninterrupted service after going back to work, you may select a new benefit option.

If you return to active membership in another DRS-covered plan, contact DRS as indicated on page 4 to find out which plan's rules apply. Returning to work in another DRS-covered plan may cause your benefit to be suspended.

## What if I am receiving a disability retirement?

If you are a disability retiree, your benefit could be affected by returning to any kind of employment. Your return to work could mean that you are no longer disabled and therefore no longer eligible to receive a disability retirement. If you retired for disability and are considering returning to work, please contact DRS as indicated below.

## What if I retired as a dual member?

A dual member retiree is someone who has used service credit earned in more than one retirement system to qualify for retirement. If you retired as a dual member and are considering returning to work, please contact DRS as indicated below to determine the possible impacts on your benefit.

## Is there a limit on the amount of income I can earn?

Under Washington State law, there are no limits on the amount of income you can earn. However, if you are receiving a Social Security benefit, returning to work may impact your Social Security income. To check annual income limitations under Social Security law, refer to the publication called, *What You Need to Know When You Get Retirement or Survivors Benefits*, or visit the Social Security Internet site at: <http://www.ssa.gov>.

## General information

**Overpayments and Underpayments:** If you receive an overpayment of your retirement benefit, you will be required to repay the amount of the overpayment to DRS. If you receive an underpayment, DRS will correct the error and pay you the amount owed.

**Deferred Compensation:** If you are receiving payment from the Deferred Compensation Program (DCP), your payments will not be affected by your return to work. If you are not yet receiving payment and return to work, you can continue making contributions to the plan up to an annual maximum contribution amount depending on your income. If you have questions, please contact DCP at 1-888-327-5596 or by e-mail at [dcpinfo@drs.wa.gov](mailto:dcpinfo@drs.wa.gov).

**Health Care:** If you retired from state government, a public education institution or a local government employer participating in the Public Employees Benefits Board (PEBB), you have the option to return to PEBB-sponsored coverage when you return to full retirement status. If you have questions about your health care coverage, please contact the Health Care Authority at 1-800-200-1004 or visit their Internet site at: <http://www.hca.wa.gov>. If you retired from a local government employer, you will have to coordinate with your employer and health care provider to determine what you can do.

## Contacting DRS

If you have questions regarding returning to work, write to DRS at:

Department of Retirement Systems  
Attn: PERS  
P.O. Box 48380  
Olympia, Washington 98504-8380

When you contact DRS about personal account information, be sure to include:

- Your Social Security Number
- Your signature (for written correspondence)
- Your mailing address
- Your daytime telephone number

### Telephone

|                    |                |
|--------------------|----------------|
| Olympia            | (360) 664-7000 |
| Toll-Free          | 1-800-547-6657 |
| TDD Line           | (360) 586-5450 |
| Toll-Free TDD Line | 1-866-377-8895 |

### E-mail Address

[recep@drs.wa.gov](mailto:recep@drs.wa.gov)

### Web site

[www.drs.wa.gov](http://www.drs.wa.gov)